

Issue Details		
Issue Opens	21 st November, 2023	
Issue Closes	23 rd November, 2023	
Issue Size (in Rs. Crs)	Rs 2150 Cr	
Issue Size (Shares)	671,941,177	
Authorized Equity Shares	6,000,000,000	
Issued, Subscribed and Paid Up Equity Shares. Pre offer	2,284,600,000	
Offer for Sale (Shares)	268,776,471	
Fresh Issue (Shares)	403,164,706	
Face Value	10	
Lot Size (Sh)	460 Shares	
Price Band	Rs 30 to Rs 32	
Issue Type	Book Built Issue	
Book Value (in Rs.)(FY23)	Rs 25.98	
BRLMs	IDBI Capital, BOB Capital Markets, SBI Capital Markets	
Registrar	Link Intime India Pvt Ltd	
Listing Venue	BSE, NSE	
Finalization of Allotment	On or about 28/11/2023	
Initiation of refund	On or about 28/11/2023	
Credit to Demat Account	On or about 29/11/2023	
Listing	On or about 01/12/2023	
Issue Structure		
Categories	Allocation	
QIBs	>50%	
Non-Institutional	<=15%	
Retail Portion	<=35%	
Total	100%	
Shareholding Pattern		
Categories	Pre issue	Post Issue
Promoter & Promoter Group	100%	75%
Public	-	25%
Total	100%	100%
Recommendation		
SUBSCRIBE		

Company Background

Indian Renewable Energy Development Agency Limited (IREDA) is a Mini Ratna (Category – I) Government of India Enterprise under the administrative control of Ministry of New and Renewable Energy (MNRE). It was established as a Non-Banking Financial Institution in 1987 and is engaged in promoting, developing and extending financial assistance for setting up projects relating to new and renewable sources of energy and energy efficiency/conservation.

Objects of the Issue

- Offer for Sale of up to 268,776,471 Equity Shares by the Promoter Selling Shareholder (GOI). IREDA will not receive any proceeds from the Offer for Sale. Further, the proceeds of the Offer for Sale shall be received by the Promoter Selling Shareholder and will not form part of the Net Proceeds.
- Fresh issue of 403,164,706 Equity Shares. IREDA intends to utilize the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements and onward lending and also achieve the benefits of listing on the exchanges.

Key Points

- IRDEA is an experienced financial institution that has been actively promoting, developing, and extending financial assistance for new and renewable energy projects, as well as energy efficiency and conservation projects for over 36 years.
- A comprehensive range of financial products and related services, from project conceptualization to post-commissioning, for RE projects and other value chain activities such as equipment manufacturing and transmission form the portfolio of IREDA.
- IRDEA is the largest pure-play green financing NBFC in India with loan assets of Rs 47,000 Cr as of March 31, 2023. Among power financing NBFCs, it has the largest share in credit towards the RE sector other than PFC (Power Finance Corporation).
- IREDA's loan book grew at a 2 Year CAGR of 30% from Rs 27,854 Cr in FY21 to Rs 47,056 Cr at the end of FY23. The loan portfolio is spread across 23 states and 5 Union Territories.
- IREDA's Gross and Net NPA at the end of FY21 stood at Rs 2,441 Cr and Rs 1,510 Cr respectively. At the end of Sep 30, 2023 Gross and Net NPAs reduced to Rs 1,486 Cr and Rs 771 Cr respectively.

Recommendation --

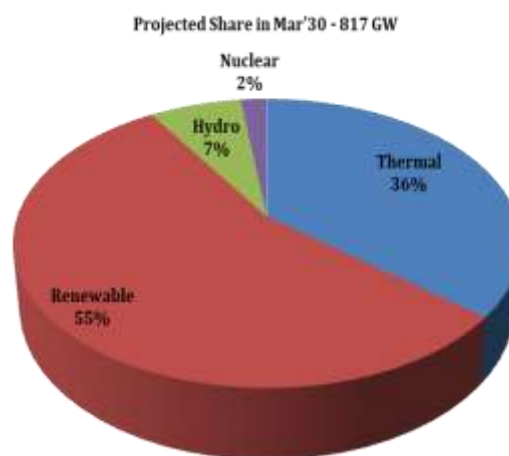
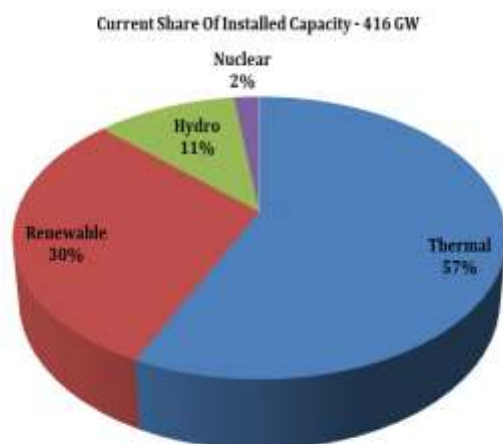
The world economies including India are striving to move towards Net Zero Carbon Emission. To fulfill that aim, the role of Renewable Energy (RE) is very important and a critical one as conventional sources of energy like coal depletes. IREDA is expected to play an important role in the long term perspective in financing RE projects to fulfill India's commitment to the world with respect to climate change proposals. We would hence recommend a SUBSCRIBE to the issue.

Particulars (₹ Crs.)	FY21	FY22	FY23
Net Operating Income	3,481.97	2,859.90	2,654.81
Total Expenditure	231.86	429.82	495.29
PBIDT	3,251.19	2,444.33	2,162.45
PBT	1,139.25	833.84	569.52
PAT	864.63	633.53	346.41
EPS**	3.78	8.03	4.42

** Explained at the end of Pa 7

Source: Company's RHP, Ace Equity, AUM Research

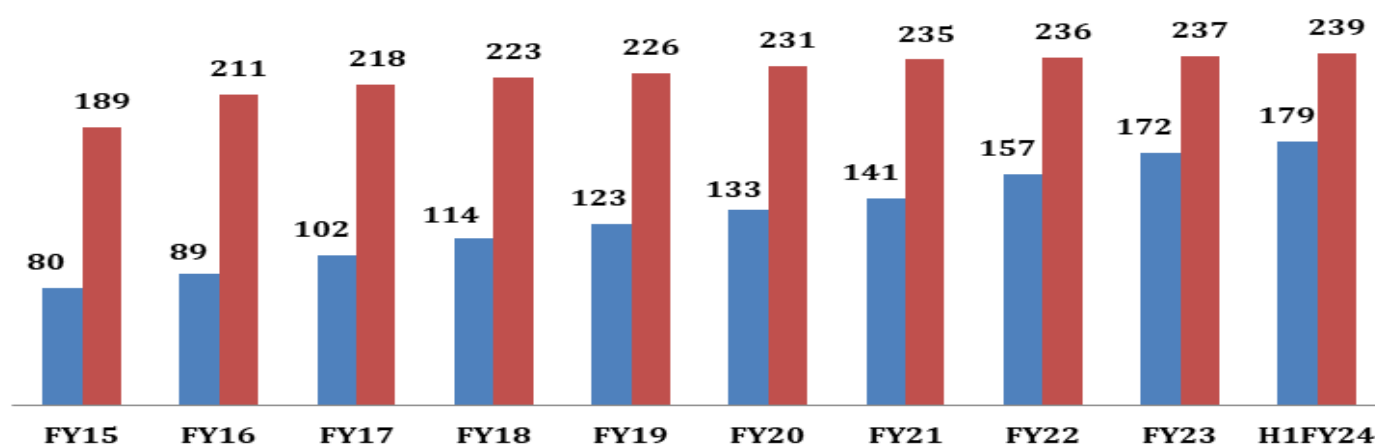
Renewable Power In India



Source: Company's RHP, AUM Research

Renewable Vs Thermal Installed Capacity In GW

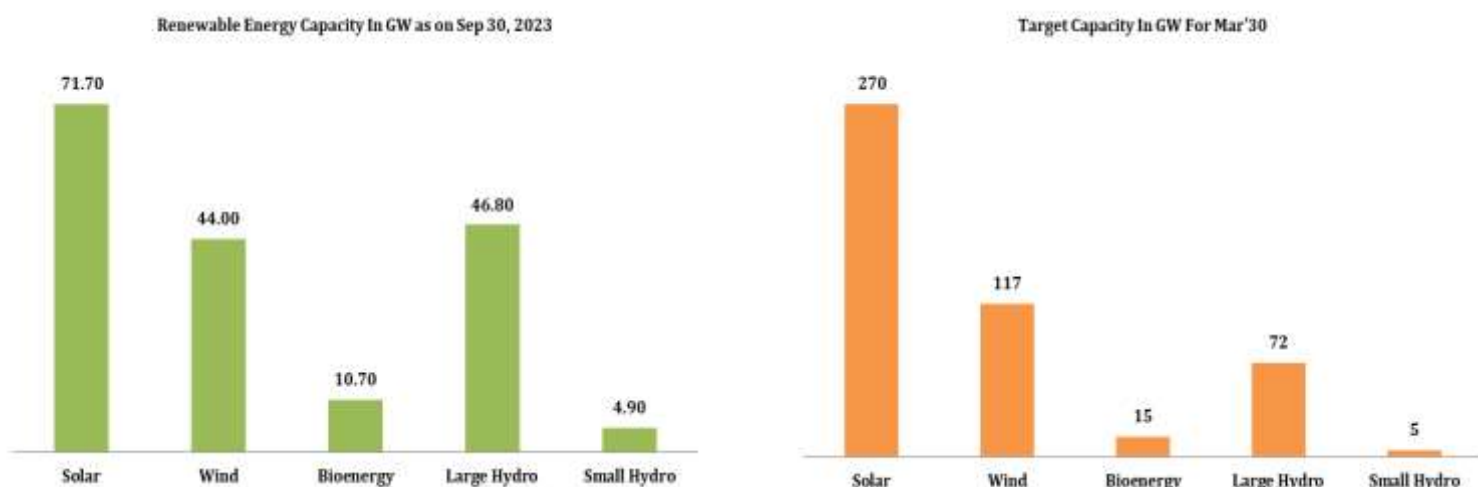
■ Renw+Hydro ■ Thermal



Source: Company's RHP, AUM Research

- The support and implementation of policies by the government has been playing a vital role in aiding India's renewable sector catching the attention of investors. The policies include National Solar Mission, International Solar Alliance, Pradhan Mantri Kisan Urja Suraksha Evam Utthan Mahabhiyan, Green Energy Corridor, National Solar-Wind Hybrid Policy, National Offshore Wind Energy Policy, Hydro Policy Notification, Renewable Purchase Obligation (RPO) Trajectory.
- Other special measures include Round-The-Clock Power from RE power plants, hybrid projects, solar cities, waiver of inter-state transmission system charges, enhancing domestic manufacturing, must run status for renewable projects, concessional open access charges etc.
- India has a large amount of solar energy potential with incidence of approximately 5,000 trillion kWh of energy. Among various countries like Germany, China, USA, among others. India has the highest solar irradiance. The abundance of solar irradiance and availability of solar energy throughout the year has created enormous opportunities to exploit solar energy especially in states like Rajasthan, Gujarat, and Andhra Pradesh.
- The RE industry is going to play an important and critical role in India achieving Net-Carbon Zero emission target by 2070. With the gradual exhaustion of conventional sources of energy as coal over the next 30-40 years, the role of RE is going to be an important one in the process of transition.

Renewable Energy Capacity as on September 2023 (GW) and Target for March 2030



Source: Company's RHP, AUM Research

Progress and Potential Capacity in GW

Sector	As on Sep 2023	Under Construction	Tendered	Potential
Hydro	46.90	10.90	-	148
Wind	44.20	17.23	1.20	695
Solar	71.80	36.27	20.30	750
Small Hydro	4.90	0.30	-	21
Biomass	10.20	-	-	22
Waste To Power	0.50	-	-	3
Total	178.50	64.70	21.50	1639

Source: Company's RHP, AUM Research

Key Demand Drivers

- **Untapped Potential:-** India has a solar potential of 749 GW with installed capacity of 72 GW as on September 2023. The installed capacity is only around 9%, indicating a significant untapped potential.
- **Less environmental concerns:-** There are no significant emissions during the generation of solar power. Therefore, there are fewer environmental concerns with solar power generation, unlike thermal power.
- **Falling tariffs:** The solar tariffs in India are now competitive and have achieved grid parity due to technological improvements, economies of scale and reduction in solar cells/module prices. There has been a steep decrease in solar tariffs in India from Rs 6.2 kWh in Fiscal 2015 to Rs 2.9 in Fiscal 2023.
- **Cost reduction and increasing efficiency:** RE technologies have experienced significant advancements in recent years, leading to cost reductions and increased efficiency. This has made renewable energy increasingly competitive with fossil fuels, driving its widespread adoption and deployment across various sectors, including electricity generation, transportation, and heating.
- **Support from Government of India:-** Government initiatives such as subsidy programmes and laws, are pushing power production firms to engage in this industry. To ensure timely payment to the RE generators, government has issued orders that power shall be dispatched against letter of credit or advance payment.
- **Adoption of ongoing technology innovations:** There has been improvement in performance of the technology with more projects achieving projected PLF levels. In addition, innovations such as wind-solar hybrid, floating PV Projects and storage technologies, among others are key drivers supporting the improvement in Capacity Utilization Factor (CUF).
- **Interest from international investors:** Government's thrust on the sector, ambitious renewable energy targets and consistently growing power demand coupled with the security of government-backed 25-year power purchase agreements are key factors which are attracting the interest of global investors to the renewable energy sector in India. There have been investments worth USD 15 billion in Fiscal 2022, largely for generation assets in the renewable energy sector. It includes green bonds worth USD 4.7 billion and debt worth USD 1.8 billion from domestic and foreign lenders.

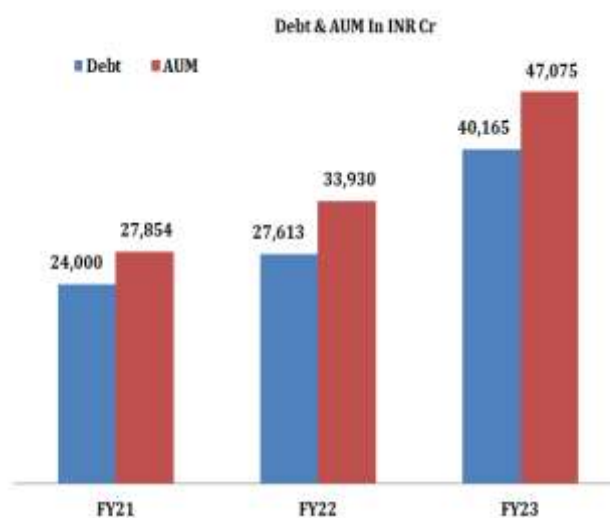
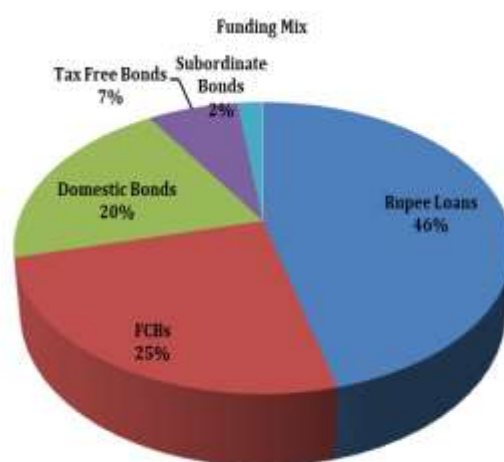
Company Overview

Indian Renewable Energy Development Agency Limited (IREDA) has Assets Under Management (AUM) worth Rs 47,000 Cr at the end of FY23.

Asset Mix

Sector	FY21	FY22	FY23
Solar Energy	28%	25%	30%
Wind Power	22%	18%	19%
Hydro Power	10%	12%	12%
Biomass Power	5%	3%	2%
Loan to State Utilities	26%	33%	24%
Loan to Pvt. Parties	3%	2%	2%
Others	6%	7%	11%
Total	100%	100%	100%

- IREDA provides a comprehensive range of financial products and related services from project conceptualization to the post-commissioning stage in RE projects and equipment manufacturing.
- IREDA is into providing financial assistance through both fund-based and non-fund-based facilities including project finance, short-terms loans, debt refinancing, performance guarantee and letters of comfort. The company mainly finances projects in the wind, hydro, solar, bio-energy sectors as well as emerging areas, such as battery-powered vehicle sectors.
- It has the distinction of being India's largest pure-play green financing NBFC. As per RBI, "green finance" means lending to and/or investing in the activities/projects that contributes to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions.
- IREDA is the issuer of first debt security (green masala bond) in India listed on IFSC (International Finance Service Center) exchange and also counts among the first financial institution to raise global funds for climate financing from DFIs (Development Financial Institutions), multilaterals in India.
- IREDA is the nodal agency for MNRE schemes such as Central Public Sector Undertaking Scheme, Phase-II (Government Producer Scheme); National Bioenergy Program; National Programme on High-Efficiency Solar PV Modules under PLI scheme, Tranche-I; and Generation-Based Incentive (GBI) Scheme.
- In addition to its financial products profile, IREDA also owns a 50 MW Solar Photovoltaic Project at Kasaragod Solar Park in the State of Kerala that was commissioned in September 2017. The project generates power which is injected into the grid of Kerala State Electricity Board. At the end of FY23 and H1FY24, this project generated revenues worth Rs 27 Cr and Rs 14 Cr respectively.



Source: Company's RHP, AUM Research

Rationale for Investment

- **Strategic role in Government of India initiatives in the Renewable Energy sector**

- **Key role in GOI initiatives:** Since its inception, IREDA have been closely involved in the development and implementation of various policies and schemes for structural and procedural reform in the RE sector.
- **Diversification as per demand requirements:** IREDA has expanded its financing schemes in line with the RE priorities of the GoI such as solar, wind, hydro power, biomass, co-generation, among others. The GoI has highlighted priority areas for RE generation, including RE component manufacturing, green energy corridor, green hydrogen production, rooftop solar power etc.
- **Consultancy services:** Actively engaged with consultancy services also on techno-commercial issues relating to the RE sector. For e.g In 2021, it first entered into an MoU with SJVN Limited to provide techno-commercial consultancy services in the field of RE. Later MoU's were signed with Brahmaputra Valley Fertilizer Corporation and NHPC for various consultancy related work.

- **Expected to play an important role in India achieving Net-Zero Emissions**

- **Mission Net-Zero Emission:** With the announcement of 500 GW non-fossil fuel based capacity installation by 2030 and net-zero emissions by 2070, India has set itself on one of the most accelerated energy transition trajectories in the world. IREDA's position as the largest pure-play green financing NBFC in India places it among select players who are well placed to capitalise on the rapid growth in the RE sector.
- **Diversified customer profile:** IREDA's exclusive focus on green finance has led to domain knowledge across various RE sectors from a technical and financial perspective based on its diverse experience of more than 36 years. As on Sep 30, 2023, it had 357 RE borrowers across more than 10 RE sectors such as solar, wind, hydro, biomass, co-generation, EV, waste-to-energy, EEC, manufacturing, ethanol, among others.

- **Robust IT infrastructure tailor made to business requirements**

- **Digitized process:** IREDA maintains a robust IT infrastructure with an Enterprise Resource Planning System (ERP System). Its IT modules extend to various key processes across borrower-facing functions, as well as internal processes, including online loan applications and real time validity check for customers on the status of their loan application.
- **Integration of diverse roles and functions:** IREDA's integrated ERP comprising business processes such as finance and accounts, loan origination system and loan management system, liability management system, legal, credit risk rating system, project monitoring and risk management etc. These functions are interrelated to each other and a proper synchronized process helps to not only reduce the loan processing time but also keeps track on the changes in its existing customer profile to keep its NPAs under check. *IREDA's Gross and Net NPA at the end of FY21 stood at Rs 2,441 Cr and Rs 1,510 Cr respectively. At the end of Sep 30, 2023 Gross and Net NPAs stood at Rs 1,486 Cr and Rs 771 Cr respectively which highlights its robust credit monitoring system in place.*

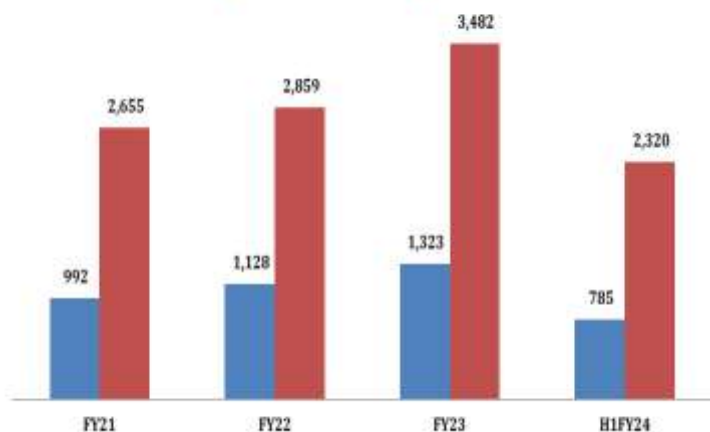
- **Access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset-liability management**

- **Healthy credit ratings help to keep its cost of borrowing down:** The cost of funding is influenced by credit ratings on domestic and international borrowings and debt securities. ICRA has rated its Bonds ICRA AAA (Stable), India Ratings had rated its debt instruments AAA (Stable) and Acuite has rated its bank loans ACUTE AAA Stable. *IREDA's average cost of borrowing for FY21, FY22, FY23 stood at 7.15%, 6.33%, 6.23% respectively.*
- **Smooth access to foreign borrowings:** Of its total borrowings of Rs 39,850 Cr at the end of Sep 30, 2023, 75% is domestic and the rest is through foreign sources. IREDA's international funding sources include loans from the World Bank, the Asian Development Bank, KFW, Japan International Cooperation Agency, European Investment Bank and Agence Francaise De Development. Its association with these development financing institutions, backed by sovereign guarantees or on non-sovereign basis, has enabled it to raise funds at concessional interest rates and with long tenors.
- **Stringent monitoring of Asset-Liability mismatches:** IREDA has established an Asset Liability Committee for management of liquidity risks and for setting up liquidity risk tolerance and strategy. Periodical review of assumptions used in liquidity projection and manage unexpected regulatory, statutory and other payments is carried out. This helps in critical decisions regarding the timing and quantum of fundraising, maturity profile of the borrowings, creation of new assets and mix of assets and liabilities in terms of time period (short, medium and long-term). For security purpose, IREDA maintains liquid assets worth Rs 100 Cr in GOI Securities.
- **Measures in place to manage risks associated with foreign currency borrowings:** IREDA's internal committee manages risks associated with foreign currency borrowings in line with its foreign exchange and derivatives risk management policy. It manages foreign currency risk through derivative products (such as currency forwards, principal swaps, currency swaps and other approved products as per the RBI) offered by ISDA (International Swaps and Derivatives Association) banks.

Healthy Financial Profile

Net Interest Income & Total Income in INR Cr

Net Interest Income Total Income



Network & PAT in INR Cr

Network PAT



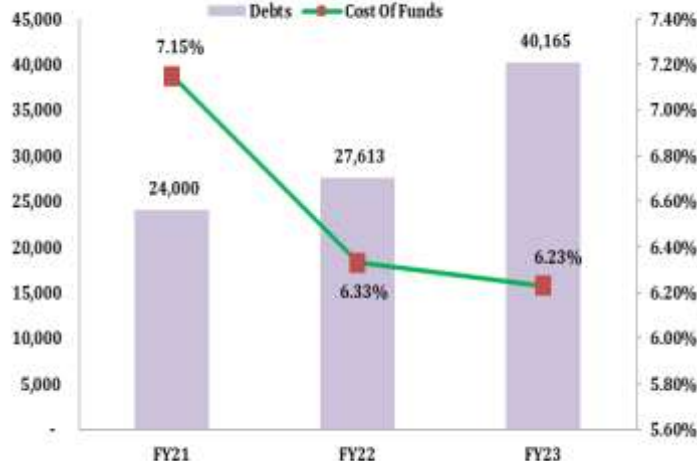
AUM in INR Cr and NIM %

AUM NIM



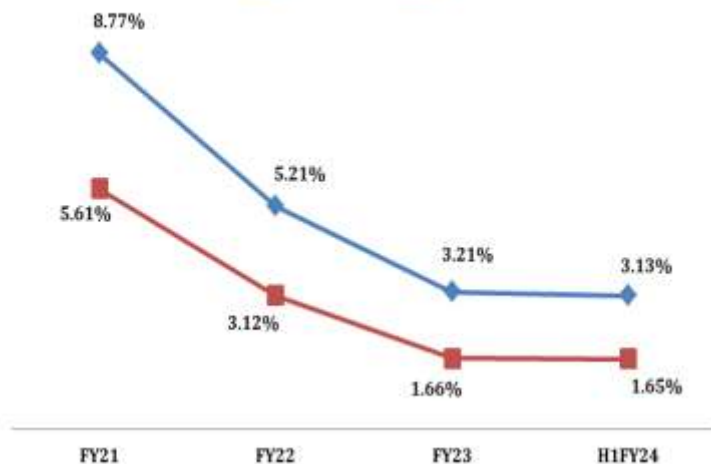
Debts in INR Cr and Cost Of Funds %

Debts Cost Of Funds



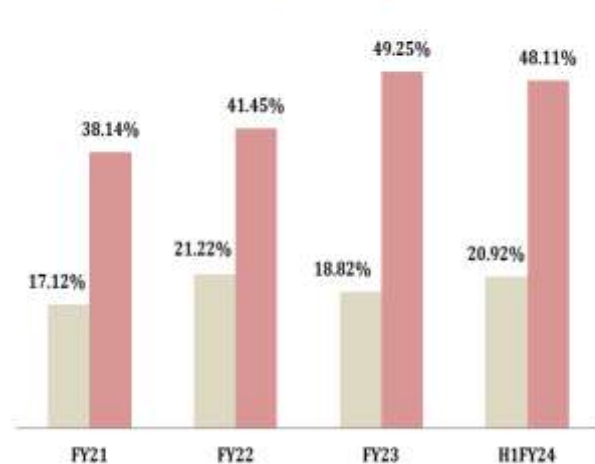
Gross & Net NPA %

Gross NPA Net NPA



CRAR & PCR %

CRAR PCR



Source: Company's RHP, Ace Equity, AUM Research

Particulars (Rs. Crs)	FY23	FY22	FY21
Net Operating Income	3,481.97	2,859.90	2,654.81
Total Expenditure	231.86	429.82	495.29
PBIDT	3,251.19	2,444.33	2,162.45
PBIT	3,227.69	2,421.09	2,139.78
PBT	1,139.25	833.84	569.52
PAT	864.63	633.53	346.41
EPS**	3.78	8.03	4.42
Share Capital	2,284.60	2,284.60	784.60
Total Reserves	3,650.57	2,983.51	2,210.59
Shareholders' Funds	5,935.17	5,268.11	2,995.19
Total Debt	40,165.28	27,613.07	24,000.00
Capital Employed	46,100.45	32,881.19	26,995.19
Total Liabilities	50,145.98	36,386.34	30,081.98
Gross Block	361.62	357.95	354.17
Investments	99.30	99.27	0.12
Cash & Bank Balance	954.77	526.69	603.31
Net Current Assets	149.27	-73.29	110.28
Total Current Liabilities	1,532.66	1,055.43	976.95
Total Assets	50,145.98	36,386.34	30,081.98
Debt to Equity(x)	6.77	5.24	8.01
ROA(%)	2.00	1.91	1.18
ROCE(%)	8.17	8.09	8.33
RONW(%)	15.44	15.33	12.56

**EPS has been calculated as profit after tax for the period divided by weighted average number of Equity Shares including potential number of Equity Shares at the period end.

Source: Company's RHP, Ace Equity, AUM Research

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